

MARSHALL COUNTY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Questioned Costs**

June 30, 2007

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Marshall County

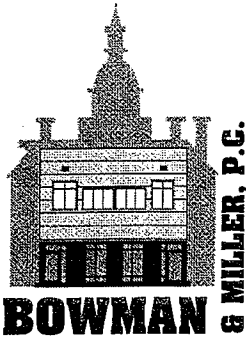
Officials

(Before January 2007)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Gordie Johnson	Board of Supervisors	January 2009
John Soorholtz	Board of Supervisors	January 2007
Ron Goecke	Board of Supervisors	January 2007
Karen Squiers	County Auditor	January 2009
Deane Adams	County Treasurer	January 2007
Kathy Baker	County Recorder	January 2007
Theoharris Kamatchus	County Sheriff	January 2009
Jennifer Miller	County Attorney	January 2007
Bill Williams	County Assessor	January 2007

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Gordie Johnson	Board of Supervisors	January 2009
Patrick Brooks	Board of Supervisors	January 2011
Ron Goecke	Board of Supervisors	January 2011
Karen Squiers	County Auditor	January 2009
Deane Adams	County Treasurer	January 2011
Kathy Baker	County Recorder	January 2011
Theoharris Kamatchus	County Sheriff	January 2009
Jennifer Miller	County Attorney	January 2011
Bill Williams	County Assessor	January 2008



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Officials of Marshall County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Marshall County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2008, on our consideration of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 39 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Marshall County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

January 8, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marshall County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 1.6%, or approximately \$353,000, from fiscal 2006 to fiscal 2007. Property tax and local option sales tax increased approximately \$771,000. Charges for services increased approximately \$322,000. Operating grants and contributions increased approximately \$423,000, and capital grants, contributions and restricted interest decreased approximately \$2 million generally due to the reduction in roads and transportation grants.
- Program expenses increased 9.2%, or approximately \$1.8 million. The largest increases in program expenses were Roads and Transportation at approximately \$538,000, Non-program at \$401,000, Administration at \$393,000 and Public Safety at \$377,000.
- The County's net assets increased .5 percent, or approximately \$201,620, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Marshall County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Marshall County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Marshall County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health and Dental Insurance Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Marshall County's combined net assets increased .5 percent or an increase of \$201,620. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$ 20,127	18,564
Capital assets	37,281	37,261
Total assets	57,408	55,825
Long-term debt outstanding	4,095	4,545
Other liabilities	12,323	10,492
Total liabilities	16,418	15,037
Net assets:		
Invested in capital assets, net of related debt	33,622	33,106
Restricted	4,199	4,570
Unrestricted	3,169	3,112
Total net assets	\$ 40,990	40,788

The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased approximately \$57,000. This is an increase of 1.8%.

Restricted net assets decreased from approximately \$4.6 million on June 30, 2006 to approximately \$4.2 million on June 30, 2007, a decrease of 8.1%.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 2,822,125	2,500,173
Operating grants, contributions and restricted interest	6,237,605	5,815,099
Capital grants, contributions and restricted interest	982,170	2,941,356
General revenues:		
Property tax	9,001,738	8,404,862
Penalty and interest on property tax	94,407	85,377
State tax credits	437,413	448,152
Local option sales tax	1,152,504	976,259
Unrestricted investment earnings	425,031	355,021
Other general revenues	56,237	35,849
Total revenues	21,209,230	21,562,148
Program expenses:		
Public safety and legal services	6,006,132	5,629,468
Physical health and social services	769,256	857,055
Mental health	3,413,967	3,125,973
County environment and education	839,299	871,776
Roads and transportation	6,087,324	5,548,904
Governmental services to residents	767,250	852,265
Administration	2,504,575	2,111,802
Non-program	460,150	59,256
Interest on long-term debt	159,657	175,553
Total expenses	21,007,610	19,232,052
Increase in net assets	201,620	2,330,096
Net assets beginning of year	40,788,038	38,457,942
Net assets end of year	\$ 40,989,658	40,788,038

Marshall County's net assets of governmental activities increased by \$201,620 during the year. Revenues for governmental activities decreased by approximately \$353,000 over the prior year, with capital grants decreasing approximately \$2 million.

The cost of all governmental activities this year was \$21 million compared to \$19.2 million last year. As shown in the Statement of Activities on page 13, the amount county taxpayers ultimately financed for these activities was \$11 million because some of the cost was paid by those directly benefited from the programs (\$2.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7.2 million). The County paid for the "public benefit" portion of governmental activities with approximately \$10.2 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Marshall County completed the year, its governmental funds reported a combined fund balance of \$7.1 million, which is \$236,000 less than the 2006 fund balance. Individual fund balances changed as documented below:

- General Fund ending fund balance showed a decline of \$376,537 from the prior year to \$2,421,103. The ratio of ending fund balance/expenses at year end was 26.1%
- The Mental Health Fund balance at year end increased by approximately \$282,000 over the prior year due to an increase in the FY07 levy rate of 13% to 80% of the allowed maximum. However, the ending fund balance of only 2% of expenditures will require Marshall County to capitalize on available MH/DD levy rates in future years to qualify for additional State funding and bring the fund balance to a more suitable level.
- The Secondary Roads Fund ending balance increased approximately \$74,400 to \$2,444,478.
- The Rural Service Fund ending balance remained virtually unchanged from the prior year
- The Capital Projects Fund balance decreased approximately \$400,000 due to expenses related to the sanitary sewer project at the Gateway Center, new boilers for the courthouse and the remaining payments to contractors for the new roof on the courthouse.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Marshall County amended its budget twice. The first amendment was made in July, 2006 and resulted in an increase in budgeted disbursements of \$495,000 related to bridge repair/construction, Marshalltown Gateway Center sewer construction and lagoon work at the jail. The second amendment was done in March, 2007 to begin to bring general fund balances to a viable level and resulted in a decrease in budgeted expenditures of \$1,319,034 and increased revenues of \$305,406.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Marshall County had approximately \$63.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately 2.9% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2007	2006
Land and construction in progress	\$ 2,120	1,798
Buildings and improvements	19,619	20,149
Equipment and vehicles	7,649	7,152
Infrastructure	33,966	32,476
Total	\$ 63,354	61,575

This year's major additions included (in thousands):

Secondary road equipment	\$ 151
Sheriff's patrol cars	65
Conservation equipment	31
Marietta Sand Prairie purchase	200
Bridge and road projects	1,490
Total	<u>\$ 1,937</u>

The County had depreciation expense of \$1,811,361 in fiscal year 2007 and total accumulated depreciation of \$26,072,497 at June 30, 2007. More detailed information about the County's capital assets is presented in Note 9 to the financial statements.

Long-Term Debt

At June 30, 2007, Marshall County had approximately \$4,095,398 in general obligation bonds and other debt outstanding compared to approximately \$4,545,699 at June 30, 2006, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2007	2006
General obligation bonds	\$ 3,555,000	4,055,000
Capital lease purchase agreements	41,280	16,755
Compensated absences	435,772	390,099
Deferred real estate contract	63,346	83,845
Total	<u>\$ 4,095,398</u>	<u>4,545,699</u>

The county entered into two capital lease purchase agreements in fiscal year 2007 to lease sheriff's department equipment.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue up to 5 percent of the assessed value of all taxable property within the County's corporate limits. Marshall County's outstanding general obligation debt is significantly below its constitutional debt limit of \$64 million. Other obligations include accrued vacation pay. Additional information about the County's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Marshall County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. The unemployment rate in the County was 4.3 percent versus 3.3 percent in November of 2006. This compares with the State's unemployment rate of 4.6 percent and the national rate of 5.1 percent. Inflation in the Midwest continues to be somewhat lower than the national Consumer Price Index increase. The Midwest CPI-U increase was 4.1 percent compared with a national rate of 4.3 percent.

These indicators were taken into account when adopting the budget for fiscal year 2008. Proposed spending for FY 2008 increased 6.0% from the re-estimated 2007 budget. Property tax dollars to be generated in 2008 will represent a 16.0% increase from property tax dollars budgeted in 2007. However, total revenues from all sources, which include property taxes, are expected to increase only 7.7%. The County has added no major programs or initiatives to the 2008 budget.

If these estimates are realized, the County's operating fund balance is expected to decrease less than initially budgeted by the end of 2008.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marshall County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Marshall County Auditor's Office, 1 E. Main Street, Marshalltown, Iowa.

Basic Financial Statements

Marshall County
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,809,174
Receivables:	
Property tax:	
Delinquent	2,336
Succeeding year	10,610,197
Interest and penalty on property tax	1,023
Accounts	45,548
Accrued interest	30,516
Due from other governments	982,913
Inventories	520,665
Prepaid expenses	124,601
Capital assets (net of accumulated depreciation)	37,281,471
Total assets	<u>57,408,444</u>
Liabilities	
Accounts payable	738,615
Accrued interest payable	17,154
Salaries and benefits payable	199,370
Due to other governments	758,052
Deferred revenue:	
Succeeding year property tax	10,610,197
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	19,990
Deferred real estate contract	21,440
General obligation bonds	515,000
Compensated absences	435,772
Portion due or payable after one year:	
Capital lease purchase agreements	21,290
Deferred real estate contract	41,906
General obligation bonds	3,040,000
Total liabilities	<u>16,418,786</u>
Net Assets	
Invested in capital assets, net of related debt	33,621,845
Restricted for:	
Supplemental levy purposes	202,116
Mental health purposes	58,870
Secondary roads purposes	2,368,592
Debt service	57,436
Capital projects	243,179
Other purposes	1,327,827
Unrestricted	3,109,793
Total net assets	<u>\$ 40,989,658</u>

Marshall County
Statement of Activities
Year Ended June 30, 2007

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 6,006,132	1,457,364	273,059	-
Physical health and social services	769,256	15,149	305,925	-
Mental health	3,413,967	7,344	2,002,852	-
County environment and education	839,299	52,501	105,161	266,781
Roads and transportation	6,087,324	221,676	3,549,386	710,592
Governmental services to residents	767,250	568,032	1,222	4,797
Administration	2,504,575	25,760	-	-
Non-program	460,150	474,299	-	-
Interest on long-term debt	159,657	-	-	-
Total	<u>\$ 21,007,610</u>	<u>2,822,125</u>	<u>6,237,605</u>	<u>982,170</u>

General Revenues:

Property and other county tax levied for:

General purposes

Tax increment financing

Debt service

Interest and penalty on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

Net (Expense)
Revenue and Changes
in Net Assets

(4,275,709)

(448,182)

(1,403,771)

(414,856)

(1,605,670)

(193,199)

(2,478,815)

14,149

(159,657)

(10,965,710)

8,046,869

276,070

678,799

94,407

437,413

1,152,504

425,031

56,237

11,167,330

201,620

40,788,038

\$ 40,989,658

Marshall County
Balance Sheet
Governmental Funds
June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,165,874	835,093	939,888	1,834,936
Receivables:				
Property tax:				
Delinquent	1,508	453	195	-
Succeeding year	6,568,577	2,115,400	1,240,906	-
Interest and penalty on property tax	1,023	-	-	-
Accounts	23,248	-	200	1,071
Accrued interest	19,090	-	-	-
Due from other funds	-	-	-	14,810
Due from other governments	509,979	6,890	168,880	297,064
Inventories	-	-	-	520,665
Prepaid expenses	118,228	-	-	6,373
Total assets	\$ 9,407,527	2,957,836	2,350,069	2,674,919
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 162,157	88,955	118,074	174,573
Salaries and benefits payable	136,396	7,733	-	55,241
Due to other funds	14,810	-	-	-
Due to other governments	102,490	654,935	-	627
Deferred revenue:				
Succeeding year property tax	6,568,577	2,115,400	1,240,906	-
Other	1,994	21,524	152	-
Total liabilities	6,986,424	2,888,547	1,359,132	230,441
Fund balances:				
Reserved for:				
Supplemental levy purposes	202,116	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	2,218,987	-	-	-
Special revenue funds	-	69,289	990,937	2,444,478
Capital projects fund	-	-	-	-
Total fund balances	2,421,103	69,289	990,937	2,444,478
Total liabilities and fund balances	\$ 9,407,527	2,957,836	2,350,069	2,674,919

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
68,534	244,553	863,125	6,952,003
180	-	-	2,336
685,314	-	-	10,610,197
-	-	-	1,023
-	-	14,373	38,892
-	-	11,426	30,516
-	-	-	14,810
-	-	100	982,913
-	-	-	520,665
-	-	-	124,601
754,028	244,553	889,024	19,277,956

-	1,374	6,382	551,515
-	-	-	199,370
-	-	-	14,810
-	-	-	758,052
685,314	-	-	10,610,197
138	-	-	23,808
685,452	1,374	6,382	12,157,752

-	-	-	202,116
68,576	-	-	68,576
-	-	-	2,218,987
-	-	882,642	4,387,346
-	243,179	-	243,179
68,576	243,179	882,642	7,120,204
754,028	244,553	889,024	19,277,956

Marshall County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
June 30, 2007

Exhibit D

Total governmental fund balances (page 15) \$ 7,120,204

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$63,353,968 and the accumulated depreciation is \$26,072,497. 37,281,471

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 23,808

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health and dental insurance benefit plans to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 676,727

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable, deferred real estate contract and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (4,112,552)

Net assets of governmental activities (page 11) \$ 40,989,658

Marshall County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,387,005	1,615,500	2,196,788	-
Interest and penalty on property tax	94,099	-	-	-
Intergovernmental	2,047,252	2,061,278	88,677	4,041,421
Licenses and permits	100	-	37,723	2,580
Charges for service	721,438	7,344	233	29,059
Use of money and property	496,107	-	-	1,919
Miscellaneous	109,451	-	1,200	40,477
Total revenues	8,855,452	3,684,122	2,324,621	4,115,456
Expenditures:				
Operating:				
Public safety and legal services	5,107,668	-	359,157	-
Physical health and social services	738,030	-	23,575	-
Mental health	-	3,401,778	-	-
County environment and education	416,529	-	153,137	-
Roads and transportation	-	-	506,804	4,609,740
Governmental services to residents	721,803	-	-	-
Administration	2,275,343	-	-	-
Debt service	-	-	-	-
Capital projects	56,711	-	-	712,253
Total expenditures	9,316,084	3,401,778	1,042,673	5,321,993
Excess (deficiency) of revenues over (under) expenditures	(460,632)	282,344	1,281,948	(1,206,537)
Other financing sources (uses):				
Sale of capital assets	7,815	-	-	47,822
Operating transfers in	35,000	-	-	1,233,136
Operating transfers out	-	-	(1,233,136)	-
Capital lease purchase agreement	41,280	-	-	-
Total other financing sources (uses)	84,095	-	(1,233,136)	1,280,958
Net change in fund balances	(376,537)	282,344	48,812	74,421
Fund balances beginning of year	2,797,640	(213,055)	942,125	2,370,057
Fund balances end of year	\$ 2,421,103	69,289	990,937	2,444,478

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
678,811	-	276,070	10,154,174
-	-	-	94,099
32,012	-	38,133	8,308,773
-	-	-	40,403
-	-	8,055	766,129
-	9,374	24,024	531,424
-	5,103	161,766	317,997
710,823	14,477	508,048	20,212,999
-	-	82,860	5,549,685
-	-	-	761,605
-	-	-	3,401,778
-	-	225,110	794,776
-	-	-	5,116,544
-	-	21,839	743,642
-	-	3,096	2,278,439
661,272	-	-	661,272
-	414,795	54,904	1,238,663
661,272	414,795	387,809	20,546,404
49,551	(400,318)	120,239	(333,405)
-	-	-	55,637
-	-	53,040	1,321,176
-	-	(88,040)	(1,321,176)
-	-	-	41,280
-	-	(35,000)	96,917
49,551	(400,318)	85,239	(236,488)
19,025	643,497	797,403	7,356,692
68,576	243,179	882,642	7,120,204

Marshall County
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
Year Ended June 30, 2007

Net change in fund balances - Total governmental funds (page 18) \$ (236,488)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,335,116	
Capital assets contributed by the Iowa Department of Transportation	351,721	
Capital assets contributed by the Iowa Heritage Foundation	200,027	
Depreciation expense	<u>(1,811,361)</u>	75,503

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (55,637)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	376	
Other	<u>21,177</u>	21,553

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(63,956)	
Repaid	<u>559,930</u>	495,974

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(45,673)	
Interest on long-term debt	<u>282</u>	(45,391)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health and dental insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (53,894)

Change in net assets of governmental activities (page 13) \$ 201,620

Marshall County
Statement of Net Assets
Proprietary Fund
June 30, 2007

Exhibit G

	<u>Internal Service- Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 857,171
Accounts receivable	<u>6,656</u>
Total assets	<u>863,827</u>
Liabilities	
Accounts payable	<u>187,100</u>
Net Assets	
Unrestricted	<u><u>\$ 676,727</u></u>

Marshall County
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2007

	<u>Internal Service- Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,073,371
Reimbursements from employees	118,038
Reimbursements from others	33,326
Insurance reimbursements	<u>390,374</u>
Total operating revenues	1,615,109
Operating expenses:	
Medical claims	1,470,668
Insurance premiums	214,898
Administrative fees	<u>16,522</u>
Total operating disbursements	1,702,088
Operating loss	(86,979)
Non-operating revenues:	
Interest income	<u>33,085</u>
Net loss	(53,894)
Net assets beginning of year	<u>730,621</u>
Net assets end of year	<u><u>\$ 676,727</u></u>

Marshall County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2007

	<u>Internal Service- Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,073,371
Cash received from employees and others	535,785
Cash paid to suppliers for services	<u>(1,717,088)</u>
Net cash used by operating activities	(107,932)
Cash flows from investing activities:	
Interest on investments	<u>33,085</u>
Net decrease in cash and cash equivalents	(74,847)
Cash and cash equivalents beginning of year	<u>932,018</u>
Cash and cash equivalents end of year	<u><u>\$ 857,171</u></u>
Reconciliations of operating loss to net cash used by operating activities:	
Operating loss	\$ (86,979)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) in accounts receivable	(5,953)
(Decrease) in accounts payable	<u>(15,000)</u>
Net cash used by operating activities	<u><u>\$ (107,932)</u></u>

Marshall County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Cash and pooled investments:	
County Treasurer	\$ 4,037,995
Other County officials	81,708
Receivables:	
Property tax:	
Delinquent	8,066
Succeeding year	33,141,422
Accounts	53,008
Accrued interest	12,228
Assessments	192,554
Total assets	<u>37,526,981</u>

Liabilities

Accounts payable	128,191
Salaries and benefits payable	2,279
Due to other governments	37,242,436
Trusts payable	121,481
Compensated absences	32,594
Total liabilities	<u>37,526,981</u>

Net assets	<u><u>\$ -</u></u>
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Marshall County
Notes to Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies

Marshall County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Marshall County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Marshall County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Four drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Marshall County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Marshall County Auditor's office.

One drainage district, a joint district between Marshall and Story Counties, is managed and supervised by elected trustees. This district is included as an Agency Fund of the County.

Marshall County
Notes to Financial Statements
June 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marshall County Assessor's Conference Board, Marshall County E-911 Service Board and Marshall County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County has been designated as trustee of the Marshall County Solid Waste Management Commission's Irrevocable Trust Fund. The purpose of this fund is to demonstrate financial assurance for closure, post-closures and corrective action as required by law. The County's responsibility for this fund is limited to a fiduciary relationship and as such, the activity has been reported in an Agency Fund of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Marshall County Public Safety Communications Center, Solid Waste Management Commission of Marshall County, Region Six Planning Commission, Central Iowa Juvenile Detention Center, and Mid-Iowa Drug Task Force.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Marshall County
Notes to Financial Statements
June 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Marshall County
Notes to Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

Marshall County
Notes to Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The county maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year.

Marshall County
Notes to Financial Statements
June 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2006.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Marshall County
Notes to Financial Statements
June 30, 2007

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 – 50
Building improvements	20 – 50
Infrastructure	15 – 65
Equipment	5 – 25
Vehicles	7 – 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Marshall County
Notes to Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Marshall County
Notes to Financial Statements
June 30, 2007

(2) Cash and Pooled Investments (continued)

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	<u>\$ 14,810</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Conservation Land Acquisition	\$ 35,000
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	1,233,136
Special Revenue:	Special Revenue:	
Moderate Income Housing	Urban Renewal Revenue	<u>53,040</u>
		<u>\$ 1,321,176</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Marshall County
Notes to Financial Statements
June 30, 2007

(5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Bonds	Deferred Real Estate Contract	Capital Lease Purchase Agreements	Compensated Absences	Total
Balance beginning of year	\$ 4,055,000	83,845	16,755	390,099	4,545,699
Increase	-	-	63,956	46,156	110,112
Decrease	500,000	20,499	39,431	483	560,413
Balance end of year	<u>\$ 3,555,000</u>	<u>63,346</u>	<u>41,280</u>	<u>435,772</u>	<u>4,095,398</u>
Due within one year	<u>\$ 515,000</u>	<u>19,990</u>	<u>21,440</u>	<u>435,772</u>	<u>992,202</u>

Capital Lease Purchase Agreements

The County has entered into two capital lease purchase agreements to lease equipment for the sheriff's office with an historical cost of \$63,956 and amortization of \$9,302. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.69% to 6.90% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2007:

Year Ending June 30,	Sheriff's Equipment
2008	\$ 22,676
2009	<u>22,676</u>
Total minimum lease payments	45,352
Less amount representing interest	<u>4,072</u>
Present value of net minimum lease payments	<u>\$ 41,280</u>

Payments under capital lease purchase agreements totaled \$40,313 for the year ended June 30, 2007.

Industrial Development Revenue Bonds

The County has issued a total of \$6,790,000 in industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$6,440,000 is outstanding at June 30, 2007. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

Marshall County
Notes to Financial Statements
June 30, 2007

(5) Changes in Long-Term Liabilities (continued)

Deferred Real Estate Contract

During the year ended June 30, 2002, the County entered into a deferred payment contract totaling \$180,000 to purchase real estate for the Secondary Roads department. The County agreed to pay the seller \$20,000 on the date of possession and ninety-six monthly installments, including interest, beginning May 1, 2002. The interest rate is variable during the term of the contract. The initial rate is 4½% per annum for the first twelve months. Effective April 1, 2003, the interest rate will be determined by the current rate on two year U.S. Treasury Notes, plus 1%. The interest rate will never be less than 4½% nor more than 7% annum. Payments under the deferred real estate contract for the year ended June 30, 2007 totaled \$23,852. The balance of the contract at June 30, 2007 was \$63,346.

Bonds Payable

A summary of the County's June 30, 2007 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	2.40 to 4.10	\$ 515,000	237,416	752,416
2009	2.60 to 3.15	540,000	107,298	647,298
2010	4.25	395,000	91,140	486,140
2011	4.30	230,000	78,303	308,303
2012	4.40	240,000	70,598	310,598
2013	4.50	245,000	62,318	307,318
2014	4.50	260,000	53,620	313,620
2015	4.65	265,000	44,130	309,130
2016	4.70	275,000	34,193	309,193
2017	4.75	290,000	23,605	313,605
2018	4.80	300,000	12,150	312,150
		<u>\$ 3,555,000</u>	<u>814,771</u>	<u>4,369,771</u>

During the year ended June 30, 2007, the County retired \$500,000 of bonds.

Marshall County
Notes to Financial Statements
June 30, 2007

(6) Marshall County Employee Health Insurance Plan

The Internal Service, Marshall County Employee Group Health Fund was established to account for the partial self-funding of the County's health and dental insurance benefit plans. The plan is funded by both employee and County contributions and is administered through a service agreement with Select Benefit Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Marshall County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Select Benefits Administrators from the Marshall County Employee Group Health Fund. The County's contribution for the year ended June 30, 2007 was \$1,073,371.

Amounts payable from the Marshall County Employee Group Health Insurance Fund at June 30, 2007 total \$187,100, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$676,727 at June 30, 2007 and is reported as a designation of the Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims as of July 1, 2006	\$ 202,100
Incurred claims (including claims incurred but not reported as of June 30, 2007)	1,470,668
Payments on claims during the fiscal year	<u>1,485,668</u>
Unpaid claims at June 30, 2007	<u>\$ 187,100</u>

Marshall County
Notes to Financial Statements
June 30, 2007

(7) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$395,967, \$391,179 and \$386,598, respectively, equal to the required contributions for each year.

(8) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 102,490
Special Revenue:		
Secondary Roads	Services	627
Mental Health	Services	654,935
		<u>655,562</u>
Total for governmental funds		<u>\$ 758,052</u>
Agency:		
County Assessor	Collections	\$ 614,302
Schools		20,668,530
Community Colleges		2,288,282
Corporations		9,897,818
Auto License and Use Tax		676,763
Solid Waste Irrevocable Trust		2,206,374
All other		890,367
Total for agency funds		<u>\$ 37,242,436</u>

Marshall County
Notes to Financial Statements
June 30, 2007

(9) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,711,302	201,027	42,500	1,869,829
Construction in progress	665,113	250,466	665,113	250,466
Total capital assets not being depreciated	2,376,415	451,493	707,613	2,120,295
Capital assets being depreciated:				
Buildings	20,252,242	515,951	1,149,417	19,618,776
Equipment and vehicles	7,372,921	555,172	279,115	7,648,978
Infrastructure, road network	32,476,407	1,489,512	-	33,965,919
Total capital assets being depreciated	60,101,570	2,560,635	1,428,532	61,233,673
Less accumulated depreciation for:				
Buildings	8,221,421	375,462	689,650	7,907,233
Equipment and vehicles	3,749,149	432,852	265,594	3,916,407
Infrastructure, road network	13,245,810	1,003,047	-	14,248,857
Total accumulated depreciation	25,216,380	1,811,361	955,244	26,072,497
Total capital assets being depreciated, net	34,885,190	749,274	473,288	35,161,176
Governmental activities capital assets, net	\$ 37,261,605	1,200,767	1,180,901	37,281,471

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 290,048
Physical health and social services	4,653
County environment and education	82,143
Roads and transportation	1,299,775
Governmental services to residents	22,826
Administration	111,916
Total depreciation expense - governmental activities	<u>\$ 1,811,361</u>

(10) Operating Leases

During the year ended June 30, 2002, the County entered into an agreement with the Marshalltown Town Center to lease space for the County Treasurer Motor Vehicle Department. The lease has been classified as an operating lease and, accordingly, all rents are charged to expenditures as incurred. The lease expires June 30, 2011.

Marshall County
Notes to Financial Statements
June 30, 2007

(10) Operating Leases (continued)

Pursuant to an agreement with the Marshalltown Town Center, the County paid \$161,760 to remodel the leased space. The County recorded these costs as prepaid expenditures that are amortized and reduce the annual cash rental payments throughout the term of the lease.

The County has also entered into several other leases for operating space used by various county departments. The leases expire at various times through June 30, 2013. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year Ending June 30	Annual Rent Due in Cash	Annual Prepaid Expenditures Amortized	Total Annual Lease Costs
2008	72,042	15,966	88,008
2009	75,635	14,766	90,401
2010	75,928	14,766	90,694
2011	84,762	9,666	94,428
2012	74,676	-	74,676
Thereafter	74,676	-	74,676
Total	\$ 457,719	55,164	512,883

The total annual lease costs for the year ended June 30, 2007 were \$88,328.

(11) Risk Management

Marshall County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

Marshall County
 Budgetary Comparison Schedule of
 Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2007

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 10,149,422	-
Interest and penalty on property tax	94,107	-
Intergovernmental	8,204,172	-
Licenses and permits	37,823	-
Charges for services	901,920	-
Use of money and property	537,019	-
Miscellaneous	232,635	-
Total receipts	<u>20,157,098</u>	<u>-</u>
Disbursements:		
Public safety and legal services	5,427,149	-
Physical health and social services	857,939	-
Mental health	3,135,808	-
County environment and education	804,104	-
Roads and transportation	4,886,698	-
Governmental services to residents	754,305	-
Administration	2,252,787	-
Debt service	661,272	-
Capital projects	1,347,269	-
Total disbursements	<u>20,127,331</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	29,767	-
Other financing sources, net	<u>55,637</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	85,404	-
Balance beginning of year	<u>6,866,599</u>	<u>5,963</u>
Balance end of year	<u><u>\$ 6,952,003</u></u>	<u><u>5,963</u></u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
10,149,422	9,894,743	10,061,448	87,974
94,107	13,000	16,000	78,107
8,204,172	8,853,271	8,795,901	(591,729)
37,823	36,189	38,889	(1,066)
901,920	836,170	771,525	130,395
537,019	313,120	416,509	120,510
232,635	115,675	267,302	(34,667)
20,157,098	20,062,168	20,367,574	(210,476)
5,427,149	6,241,474	5,644,983	217,834
857,939	946,264	975,289	117,350
3,135,808	3,288,630	3,135,880	72
804,104	815,885	828,140	24,036
4,886,698	5,432,800	5,323,100	436,402
754,305	850,912	825,296	70,991
2,252,787	2,481,107	2,461,285	208,498
661,272	701,783	661,283	11
1,347,269	1,582,325	1,661,890	314,621
20,127,331	22,341,180	21,517,146	1,389,815
29,767	(2,279,012)	(1,149,572)	1,179,339
55,637	22,000	10,727	44,910
85,404	(2,257,012)	(1,138,845)	1,224,249
6,860,636	5,100,621	6,727,240	133,396
6,946,040	2,843,609	5,588,395	1,357,645

Marshall County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 20,157,098	55,901	20,212,999
Expenditures	20,127,331	419,073	20,546,404
Net	29,767	(363,172)	(333,405)
Other financing sources, net	55,637	41,280	96,917
Beginning fund balances	6,866,599	490,093	7,356,692
Ending fund balances	\$ 6,952,003	168,201	7,120,204

Marshall County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$824,034. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Other Supplementary Information

Marshall County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007

	Resource Enhancement and Protection	Sheriff's Investigative	Sheriff's DARE	Jail Commissary
Assets				
Cash and pooled investments	\$ 29,927	868	25	196,329
Receivables:				
Accrued interest	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 29,927	868	25	196,329
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	1,482
Fund balances:				
Unreserved	29,927	868	25	194,847
Total liabilities and fund balances	\$ 29,927	868	25	196,329

Conservation Land Acquisition Trust	Klaunberg Trust	County Recorder's Records Management	Attorney's Forfeiture	Drainage Certificates	Moderate Income Housing	County Recorder's Electronic Transaction Fee	Total
48,512	424,816	18,586	13,183	5,683	124,853	343	863,125
-	11,426	-	-	-	-	-	11,426
14,373	-	-	-	-	-	-	14,373
-	-	-	100	-	-	-	100
62,885	436,242	18,586	13,283	5,683	124,853	343	889,024
900	-	-	4,000	-	-	-	6,382
61,985	436,242	18,586	9,283	5,683	124,853	343	882,642
62,885	436,242	18,586	13,283	5,683	124,853	343	889,024

Marshall County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2007

	Resource Enhancement and Protection	Sheriff's Investigative	Sheriff's DARE	Jail Commissary	Conservation Land Acquisition Trust
Revenues:					
Property and other county tax	\$ -	-	-	-	-
Intergovernmental	20,182	-	4,517	-	11,354
Charges for service	-	-	-	-	-
Use of money and property	850	4	6	2,263	2,604
Miscellaneous	-	-	-	99,188	55,400
Total revenues	21,032	4	4,523	101,451	69,358
Expenditures:					
Operating:					
Public safety and legal services	-	-	6,045	65,265	-
County environment and education	-	-	-	-	-
Governmental services to residents	-	-	-	-	-
Administration	-	-	-	-	-
Capital projects	15,000	-	-	-	39,904
Total expenditures	15,000	-	6,045	65,265	39,904
Excess (deficiency) of revenues over (under) expenditures	6,032	4	(1,522)	36,186	29,454
Other financing sources (uses):					
Operating transfers in (out):					
General	-	-	-	-	(35,000)
Moderate income housing	-	-	-	-	-
Urban renewal revenue	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(35,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,032	4	(1,522)	36,186	(5,546)
Fund balances beginning of year	23,895	864	1,547	158,661	67,531
Fund balances end of year	\$ 29,927	868	25	194,847	61,985

Klaunenberg Trust	County Recorder's Records Management	County Attorney's Forfeiture	County Drainage Certificates	Urban Renewal Revenue	Moderate Income Housing	County Recorder's Electronic Transaction Fee	Total
-	-	-	-	276,070	-	-	276,070
-	-	-	-	2,080	-	-	38,133
-	8,055	-	-	-	-	-	8,055
17,011	1,222	64	-	-	-	-	24,024
-	-	7,178	-	-	-	-	161,766
17,011	9,277	7,242	-	278,150	-	-	508,048
-	-	11,550	-	-	-	-	82,860
-	-	-	-	225,110	-	-	225,110
-	21,839	-	-	-	-	-	21,839
3,096	-	-	-	-	-	-	3,096
-	-	-	-	-	-	-	54,904
3,096	21,839	11,550	-	225,110	-	-	387,809
13,915	(12,562)	(4,308)	-	53,040	-	-	120,239
-	-	-	-	-	-	-	(35,000)
-	-	-	-	(53,040)	-	-	(53,040)
-	-	-	-	-	53,040	-	53,040
-	-	-	-	(53,040)	53,040	-	(35,000)
13,915	(12,562)	(4,308)	-	-	53,040	-	85,239
422,327	31,148	13,591	5,683	-	71,813	343	797,403
436,242	18,586	9,283	5,683	-	124,853	343	882,642

Marshall County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	County Offices		Agricultural		
	County	County	Extension	County	
	Recorder	Sheriff	Education	Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	-	1,415	273,807	311,322
Other County officials	33,567	48,141	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	24	96	5,239
Succeeding year	-	-	129,984	367,607	20,351,969
Accounts	524	-	-	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Total assets	\$ 34,091	48,141	131,423	641,510	20,668,530
Liabilities					
Accounts payable	\$ -	-	-	1,098	-
Salaries and benefits payable	-	-	-	964	-
Due to other governments	34,091	-	131,423	614,302	20,668,530
Trusts payable	-	48,141	-	-	-
Compensated absences	-	-	-	25,146	-
Total liabilities	\$ 34,091	48,141	131,423	641,510	20,668,530

Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
18,414	184,776	4,747	75	17,281	676,763
-	-	-	-	-	-
317	2,285	104	1	-	-
2,269,551	9,710,757	306,643	4,911	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	192,554	-
2,288,282	9,897,818	311,494	4,987	209,835	676,763
-	-	-	-	-	-
-	-	-	-	-	-
2,288,282	9,897,818	311,494	4,987	209,835	676,763
-	-	-	-	-	-
-	-	-	-	-	-
2,288,282	9,897,818	311,494	4,987	209,835	676,763

Marshall County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust	Marshall County Wellness	E-911
Assets					
Cash and pooled investments					
County Treasurer	20,301	66,522	2,194,146	11,750	3,428
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	1,800	-	-	-	49,984
Accrued interest	-	-	12,228	-	-
Assessments	-	-	-	-	-
Total assets	22,101	66,522	2,206,374	11,750	53,412
Liabilities					
Accounts payable	1,217	-	-	-	53,119
Salaries and benefits payable	1,315	-	-	-	-
Due to other governments	12,121	66,522	2,206,374	-	293
Trusts payable	-	-	-	11,750	-
Compensated absences	7,448	-	-	-	-
Total liabilities	22,101	66,522	2,206,374	11,750	53,412

Other	Total
253,248	4,037,995
-	81,708
-	8,066
-	33,141,422
700	53,008
-	12,228
-	192,554
<u>253,948</u>	<u>37,526,981</u>

72,757	128,191
-	2,279
119,601	37,242,436
61,590	121,481
-	32,594
<u>253,948</u>	<u>37,526,981</u>

Marshall County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2007

	County Offices		Agricultural	
	County Recorder	County Sheriff	Extension Education	County Assessor
Assets and Liabilities				
Balances beginning of year	\$ 29,914	30,215	92,382	686,677
Additions:				
Property and other county tax	-	-	125,872	349,929
E-911 surcharge	-	-	-	-
State tax credits	-	-	4,276	18,378
Interest	-	-	-	-
Office fees and collections	603,716	140,821	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	386,321	-	-
Miscellaneous	-	-	-	3
Total additions	603,716	527,142	130,148	368,310
Deductions:				
Agency remittances:				
To other funds	304,379	137,814	-	-
To other governments	295,160	-	91,107	413,477
Trusts paid out	-	371,402	-	-
Total deductions	599,539	509,216	91,107	413,477
Balances end of year	\$ 34,091	48,141	131,423	641,510

Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
20,479,198	1,200,169	9,630,372	308,676	4,917	206,386	690,590
19,458,644	2,283,726	11,219,800	304,399	4,691	-	-
-	-	-	-	-	-	-
934,517	55,607	418,521	17,263	227	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	7,958,229
-	-	-	-	-	76,728	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,393,161	2,339,333	11,638,321	321,662	4,918	76,728	7,958,229
-	-	-	-	-	-	248,539
20,203,829	1,251,220	11,370,875	318,844	4,848	73,279	7,723,517
-	-	-	-	-	-	-
20,203,829	1,251,220	11,370,875	318,844	4,848	73,279	7,972,056
20,668,530	2,288,282	9,897,818	311,494	4,987	209,835	676,763

Marshall County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2007

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust	Marshall County Wellness
Assets and Liabilities				
Balances beginning of year	50,435	64,837	1,912,757	12,995
Additions:				
Property and other county tax	-	-	-	-
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Interest	-	-	89,758	314
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	483,487	-	-
Miscellaneous	142,394	-	203,859	18,515
Total additions	142,394	483,487	293,617	18,829
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	170,728	-	-	-
Trusts paid out	-	481,802	-	20,074
Total deductions	170,728	481,802	-	20,074
Balances end of year	22,101	66,522	2,206,374	11,750

E-911	Other	Total
55,686	117,231	35,573,437
-	12,186	33,759,247
217,816	-	217,816
-	-	1,448,789
92	7,793	97,957
-	8,055	752,592
-	599	7,958,828
-	-	76,728
-	35,956	905,764
-	772,561	1,137,332
217,908	837,150	46,355,053
-	-	690,732
220,182	600,869	42,737,935
-	99,564	972,842
220,182	700,433	44,401,509
53,412	253,948	37,526,981

Marshall County
Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds
For the Last Four Years

		Modified Accrual Basis			
		2007	2006	2005	2004
Revenues:					
Property and other county tax	\$	10,154,174	9,382,164	8,622,222	8,552,943
Interest and penalty on property tax		94,099	85,590	77,867	91,559
Intergovernmental		8,308,773	7,820,874	7,791,934	7,448,548
Licenses and permits		40,403	46,066	30,687	26,068
Charges for service		766,129	796,291	779,753	798,958
Use of money and property		531,424	455,809	271,154	317,436
Miscellaneous		317,997	692,254	306,337	405,519
Total	\$	20,212,999	19,279,048	17,879,954	17,641,031
Expenditures:					
Operating:					
Public safety and legal services	\$	5,549,685	5,657,380	5,677,146	5,497,490
Physical health and social services		761,605	850,979	849,797	1,076,965
Mental health		3,401,778	3,128,228	2,858,400	2,981,086
County environment and education		794,776	804,072	609,842	593,010
Roads and transportation		5,116,544	4,714,904	4,814,973	4,398,900
Governmental services to residents		743,642	990,407	733,620	787,284
Administration		2,278,439	2,197,990	2,120,834	2,201,181
Debt service		661,272	653,589	319,337	315,337
Capital projects		1,238,663	1,532,287	427,775	732,727
Total	\$	20,546,404	20,529,836	18,411,724	18,583,980

Marshall County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Schedule 6

Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 15,911
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grant	16.523	32-JD01-F505	5,410
Juvenile Accountability Incentive Block Grant	16.523	CJJP-06-A3-001	2,054
			<u>7,464</u>
Title V Delinquency Prevention Program	16.548	32-JD01-F505	2,607
Title V Delinquency Prevention Program	16.548	CJJP-06-A3-001	1,594
			<u>4,201</u>
Enforcing Underage Drinking Laws	16.727	32-JD01-F505	1,287
Juvenile Justice and Delinquency Prevention	16.540	32-JD01-F505	4,197
Juvenile Justice and Delinquency Prevention	16.540	CJJP-06-A3-001	4,257
			<u>8,454</u>
Governor's Office of Drug Control Policy:			
Edward Bryne Memorial Formula Grant	16.579	06JAG/HS-A36	109,085
Iowa Department of Justice-Crime Victims Assistance Division:			
Violence Against Women Formula Grants	16.588	VW-07-45A	32,500
Crime Victim Assistance	16.575	VA-07-45A	27,500
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Temporary Assistance for Needy Families	93.558		21,294
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		4,719
Refugee and Entrant Assistance-State Administered Programs	93.566		38
State Children's Insurance Program	93.767		147
Child Care and Development Block Grant	93.575		10
Foster Care-Title IV-E	93.658		11,724
Adoption Assistance	93.659		2,394
Medical Assistance Program	93.778		27,923
Social Services Block Grant	93.667		13,998
Social Services Block Grant	93.667		186,174
			<u>200,172</u>

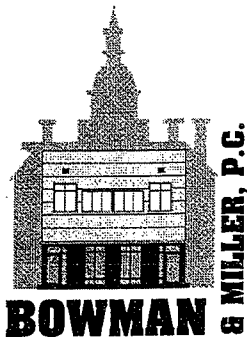
See accompanying independent auditors' report.

Marshall County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Schedule 6

Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
U.S. Department of Health and Human Services (continued):			
Iowa Department of Education:			
Temporary Assistance for Needy Families- School Ready Children	93.558		<u>132,234</u>
U.S. Department of Homeland Security			
Iowa Department of Public Defense:			
Homeland Security Division:			
Emergency Management Performance Grant	97.042		<u>18,868</u>
Disaster Grants-Public Assistance			
Presidentially Declared Disaster Area	97.036		<u>2,813</u>
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Highway Planning and Construction	20.205	BROS CO64(87)-8J64	207,357
Highway Planning and Construction	20.205	BROS CO64(93)-8J64	<u>200,373</u>
			<u>407,730</u>
State and Community Highway Safety	20.600	PAP-06-03 Task 06	2,398
State and Community Highway Safety	20.600	PAP-07-03 Task 06	6,024
State and Community Highway Safety	20.600	PAP-06-163 Task 43	13,350
State and Community Highway Safety	20.600	PAP-07-163 Task 54	<u>8,380</u>
			<u>30,152</u>
Total			<u>\$ 1,066,620</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marshall County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Marshall County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Marshall County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marshall County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Marshall County's financial statements that is more than inconsequential will not be prevented or detected by Marshall County's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Marshall County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

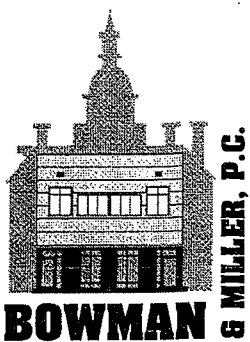
Marshall County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Marshall County's responses and accordingly, express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marshall County and other parties to whom Marshall County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marshall County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

January 8, 2008



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Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Marshall County:

Compliance

We have audited the compliance of Marshall County, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Marshall County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marshall County's management. Our responsibility is to express an opinion on Marshall County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Marshall County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Marshall County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control over compliance.

A control deficiency in Marshall County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marshall County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Marshall County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Marshall County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in Marshall County's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marshall County and other parties to whom Marshall County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Bowman and Miller, P.C.

January 8, 2008

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 93.667 – Social Services Block Grant
 - CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marshall County did not qualify as a low-risk auditee.

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties – During our review of the internal control structure, the existing control procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Applicable
Offices

Recorder,
Sheriff

(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

Sheriff

Recommendation – We realize that with a limited number of office employees segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The County offices will review their office policies and attempt to segregate duties where possible. Where it is not possible increased review by supervisory personnel will be performed.

Conclusion – Response accepted.

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007, did not exceed the amounts budgeted.
- IV-B-07 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-07 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Business Connection	Description	Amount
Angie Kelley, wife of Todd Kelley, Maintenance Supervisor	Fire Extinguishers	\$ 1,400
Dennis Bachman, husband of Deanna Neldeberg-Bachman, Emergency Management Director	EMS Training	4,274

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Angie Kelley do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year. The transactions with Dennis Bachman may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – Dennis Bachman was doing the same EMS training before he was dating Deanna, during their engagement and after their marriage. We have consulted with our County Attorney and she has given us a letter stating that she does not believe there is a conflict of interest.

Conclusion – Response accepted.

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- IV-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-H-07 Deposits and Pooled Investments – We noted no instances of non-compliance with the deposits and pooled investments provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policies.
- IV-I-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently is not included in Exhibits A or B.

Marshall County Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

Elizabeth A. Miller, CPA, Principal
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